



November 10, 2021

Karla Nemeth
Director of the California Department of Water Resources
California Department of Water Resources
P.O. Box 942836, Room 1115-1
Sacramento, CA 94236-0001

Subject: Funding commitment for 75% of the non-public benefit costs share for the Pacheco Reservoir Expansion Project ("Project")

Dear Ms. Nemeth

Pursuant to the Water Storage Investment Program ("WSIP"), Section 6013(f) of Title 23, Division 7, Chapter 1 of the California Code of Regulations, Santa Clara Valley Water District ("Valley Water") hereby submits the following documentation to demonstrate funding commitment of not less than 75% of the non-public benefit cost shares of the project:

1. Resolution No. 21-91 for Water Storage Investment Program Funding Commitment for the Pacheco Reservoir Expansion Project, adopted by Valley Water Board on November 9, 2021 by unanimous vote.
2. Current credit ratings from Moody's and Fitch for the Water Utility Enterprise
3. Letter from the United States Environmental Protection Agency dated April 6, 2021, approving up to \$692 million in Water Infrastructure Finance and Innovation Act (WIFIA) loan, not to exceed 49% of total eligible project costs.
4. Letter from the United States Environmental Protection Agency dated October 26, 2021, approving an additional \$575 million in (WIFIA) loan, for a total loan amount of up to \$1.2 Billion, not to exceed 49% of total eligible project costs.
5. Resolution No. 21-19 Approving FY 2022-26 Five-Year Capital Improvement Program, adopted by Valley Water Board of Directors on May 11, 2021, showing the current project plan for the Pacheco Reservoir Expansion Project.

Project Background

A collaboration between Valley Water, the San Benito County Water District, and the Pacheco Pass Water District, the Pacheco Reservoir Expansion Project is a strategic and long-term investment toward ensuring a more reliable supply of safe, clean drinking water in the face of climate change.

The project will boost Pacheco Reservoir's operational capacity from 5,500 acre-feet to up to 140,000 acre-feet, enough to supply up to 1.4 million residents with water for one year in an emergency. The project will also reduce the frequency and severity of water shortages during droughts, protect our drinking water supply and infrastructure, and improve fish habitat.



Funding commitment for 75% of the non-public benefit costs share for the Pacheco Reservoir Expansion Project ("Project")

Page 2

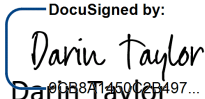
November 10, 2021

For up-to-date information about the project, please visit Valley Water's web page:

<https://www.valleywater.org/project-updates/a1-pacheco-reservoir-expansion-project>

Sincerely

DocuSigned by:


Darin Taylor

Chief Financial Officer

4048-630-3068

dtaylor@valleywater.org

cc: Ryan McCarter, Melih Ozbilgin, Charlene Sun, Steve Peters, Michael Hagerty, Simon Lo

Attachments

**BOARD OF DIRECTORS
SANTA CLARA VALLEY WATER DISTRICT**

RESOLUTION NO. 21- 91

**WATER STORAGE INVESTMENT PROGRAM FUNDING COMMITMENT FOR THE
PACHECO RESERVOIR EXPANSION PROJECT**

WHEREAS, the Santa Clara Valley Water District ("Valley Water"), is a flood control and water district duly organized and existing under and pursuant to the Constitution and laws of the State of California; and

WHEREAS, Valley Water applied under the State of California's Water Storage Investment Program ("WSIP") for funding with respect to the Pacheco Reservoir Expansion Project (the "Pacheco Reservoir Expansion Project"); and

WHEREAS, the State of California (the "State") acting through the California Water Commission (the "CWC") determined that Valley Water was conditionally eligible for funding under WSIP on July 24, 2018, of up to \$484,550,000; and

WHEREAS, Valley Water entered into a "Funding Agreement between the State of California (California Water Commission) and Santa Clara Valley Water District For Pacheco Reservoir Expansion Water Storage Program (WSIP) - Early Funding Agreement Number 4600012891 dated December 10, 2018" (the "Early Funding Agreement"); and

WHEREAS, on February 3, 2021, the CWC adjusted the maximum conditional eligibility determination for the Pacheco Reservoir Expansion Project to \$496,663,750; and

WHEREAS, to remain eligible for funding under WSIP, Valley Water is required to provide to the Director of the Department of Water Resources, on or prior to January 1, 2022, a commitment for not less than 75% of the non-public benefit cost share of the Pacheco Reservoir Expansion Project, as well as completing feasibility studies for the Pacheco Reservoir Expansion Project and making draft environmental documents for the Pacheco Reservoir Expansion Project available for public review; and

WHEREAS, Valley Water is currently preparing an Environmental Impact Report (EIR) for the proposed Pacheco Reservoir Expansion Project as required by the California Environmental Quality Act (CEQA), and would consider project approval following completion of the CEQA process.

NOW, THEREFORE BE IT RESOLVED that the Board of Directors of the Santa Clara Valley Water District does hereby find, determine, declare, and resolve as follows:

Section 1. Funding Commitment. Valley Water hereby commits to CWC for not less than 75% of the non-public benefit costs share of the Pacheco Reservoir Expansion Project from Water Utility Revenues, Safe, Clean Water and Natural Flood Protection Program Revenues (to the extent authorized by such program), other Valley Water funds, and from Pacheco Reservoir Expansion Project partners, as applicable.

Water Storage Investment Program Funding Commitment for Pacheco Reservoir Expansion Project

Resolution No. 21-91

Section 2. Other Actions. The Chief Executive Officer, the Assistant Chief Executive Officer, Deputy Operations Officer, Dam Safety and Capital Delivery Division, the Chief Financial Officer or the designees thereof are authorized and directed, acting singly, to do any and all things and to execute and deliver any and all documents which such officers may deem necessary or advisable in order to comply with WSIP requirements with respect to the commitment to funding of the non-public benefit costs of the Pacheco Reservoir Expansion Project, and such actions in connection therewith previously taken by such officers and other Valley Water staff are hereby ratified and confirmed.

Section 3. Regulatory Citation. This resolution is intended to comply with Section 6013(f) of Title 23, Division 7, Chapter 1 of the California Code of Regulations.

Section 4. Effect. This resolution shall take effect immediately.

PASSED AND ADOPTED by the Board of Directors of the Santa Clara Valley Water District by the following vote on November 9, 2021:

AYES: Directors Kremen, Santos, Hsueh, Keegan, LeZotte, Varela, Estremera

NOES: Directors None

ABSENT: Directors None

ABSTAIN: Directors None

SANTA CLARA VALLEY WATER DISTRICT

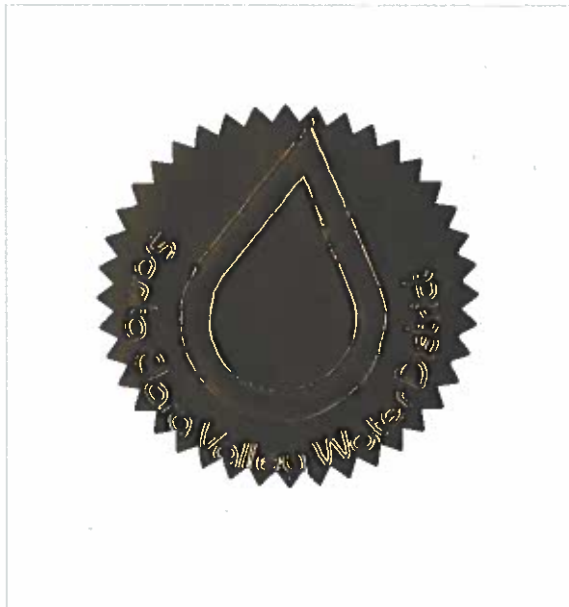

TONY ESTREMER
Chair, Board of Directors

ATTEST: MICHELE L. KING, CMC


Clerk, Board of Directors

Water Storage Investment Program Funding Commitment for Pacheco Reservoir Expansion
Project

Resolution No. 21- 91



I hereby certify that the foregoing is a full, true and correct copy of the original thereof on file in my office.

DATED: November 9, 2021

A handwritten signature in blue ink, reading "Michele L. King", is written over a horizontal line.

MICHELE L. KING
Clerk, Board of Directors
Santa Clara Valley Water District



One Front Street
Suite 1900
San Francisco, CA 94111

September 25, 2020

Ms. Charlene Sun
Treasury and Debt Officer
Office of the Chief Executive Officer
Santa Clara Valley Water District Water Enterprise
5750 Almaden Expressway
San Jose, CA 95118-3614

Dear Ms. Sun:

We wish to inform you that on September 16, 2020, Moody's Investors Service reviewed and assigned a rating of Aa1 to Santa Clara Valley Water District Water Enterprise, Water System Refunding Revenue Bonds, Series 2020A, Water System Refunding Revenue Bonds, Taxable Series 2020B, Revenue Certificates of Participation (Water Utility System Improvement Projects), Series 2020C and Revenue Certificates of Participation (Water Utility System Improvement Projects), Taxable Series 2020D.

Credit ratings issued by Moody's Investors Service, Inc. and its affiliates ("Moody's") are Moody's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities and are not statements of current or historical fact. Moody's credit ratings address credit risk only and do not address any other risk, including but not limited to: liquidity risk, market value risk, or price volatility.

This letter uses capitalized terms and rating symbols that are defined or referenced either in *Moody's Definitions and Symbols Guide* or *MIS Code of Professional Conduct* as of the date of this letter, both published on www.moody.com. The Credit Ratings will be publicly disseminated by Moody's through normal print and electronic media as well as in response to verbal requests to Moody's Rating Desk. Moody's related research and analyses will also be published on www.moody.com and may be further distributed as otherwise agreed in writing with us.

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Moody's has not consented and will not consent to being named as an expert under applicable securities laws, such as section 7 of the Securities Act of 1933. The assignment of a rating does not create a fiduciary relationship between Moody's and you or between Moody's and other recipients of a Credit Rating. Moody's Credit Ratings are not and do not provide investment advice or recommendations to purchase, sell or hold particular securities. Moody's issues Credit Ratings with the expectation and understanding that each investor will make its own evaluation of each security that is under consideration for purchase, sale or holding.

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September 25, 2020

Ms. Charlene Sun
Treasury and Debt Officer
Office of the Chief Executive Officer
Santa Clara Valley Water District Water
Enterprise
5750 Almaden Expressway
San Jose, CA 95118-3614

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If there is a conflict between the terms of this rating letter and any related Moody's rating application, the terms of the executed rating application will govern and supersede this rating letter.

Should you have any questions regarding the above, please do not hesitate to contact Alexandra Cimmiyotti at 415-274-1754.

Sincerely,

Moody's Investors Service Inc.

Moody's Investors Service Inc.



RATING ACTION COMMENTARY

Fitch Affirms Santa Clara Valley Water District, CA Revs & COPs at 'AA+'; Outlook Stable

Mon 13 Sep, 2021 - 4:52 PM ET

Fitch Ratings - San Francisco - 13 Sep 2021: Fitch Ratings has affirmed the 'AA+' ratings on the following Santa Clara Valley Water District, CA (the district) obligations:

--\$92.7 million water system refunding revenue bonds series 2020A and taxable series 2020B;

--\$123.3 million revenue certificates of participation (COPS, water utility system improvement projects) series 2020C and taxable series 2020D;

--\$355.9 million water system refunding revenue bonds series 2016A, 2016B, 2017A, 2019A, 2019B, and 2019C;

--\$71.6 million water revenue COPs series 2016C and 2016D;

--\$57 million flood control system refunding and improvement COPs series 2012A and 2017A;

--Issuer Default Rating (IDR).

The Rating Outlook is Stable.

ANALYTICAL CONCLUSION

The 'AA+' IDR and issue ratings reflect the district's low leverage in the framework of very strong revenue defensibility and operating risk profiles (both assessed at 'aa'). Leverage, as measured by net adjusted debt to adjusted funds available for debt service (FADS), declined over the last five years to a low 1.7x in fiscal 2020. However, the 'aa' financial profile assessment takes into consideration that leverage is expected to increase rapidly and could approach 6.0x in Fitch's stress scenario over the five-year horizon.

The rise in leverage reflects the district's \$2.1 billion fiscal 2021-2025 capital improvement plan (CIP) and borrowing plans, which are increasing to fund several large projects, as well as a rate increase deferral for fiscal 2021. The cost estimate for the district's largest capital project, the expansion of its Pacheco Reservoir is currently estimated at \$2.5 billion with annual spending ramping up in a few years and continuing beyond the fiscal 2025 timeframe. In addition,

the district is in the process of or is contemplating various other significant capital investments just outside the five-year horizon.

The service area reflects very favorable demand characteristics, as evidenced by very high incomes and low unemployment relative to national averages. The Purchaser Credit Quality (PCQ) of the district's largest customer, San Jose Water Company (SJWC) is strong and the district has full ability to reallocate costs. Operating costs are low relative to water production despite reliance on imported water, and the district's life cycle ratio is low with robust capital spending compared to depreciation.

CREDIT PROFILE

The district is a wholesaler and groundwater manager serving approximately two million residents within Santa Clara County. It is the local importer of water supplies from the federal Central Valley Project (CVP) and the California State Water Project (SWP) to the county. The district also provides groundwater basin management, recycled water and flood control services. It owns and operates three water treatment plants and an advance water purification plant, 18 recharge facilities, and 10 reservoirs.

The economically vital county includes California's third largest city (San Jose; IDR AA+/Stable) and is home to major technology companies such as Apple Inc., Google Inc., Intel Corp., HP Inc., Cisco Systems Inc. and eBay Inc. Approximately 60% of district-wide revenues are generated from wholesale water operations while approximately 40% are attributable to flood control and storm water management.

Coronavirus Considerations

The recent outbreak of coronavirus has had no material impact on the district's financial or operational performance to date.

KEY RATING DRIVERS

Revenue Defensibility 'aa'

Unconditional Contracts, Very Favorable Service Area and Strong Purchaser Credit Quality

The consolidated entity benefits from a diverse mix of wholesale water, groundwater extraction, property tax, parcel tax and assessment revenues. It has the unlimited independent legal ability to adjust rates. The Purchase Credit Quality based on the SJWC is strong, supported by a very favorable service area.

Operating Risks 'aa'

Very Low Cost Burden; Robust Capital Investment Supports Moderate Life Cycle Ratio

Operating risk is very low with the operating cost burden well under Fitch's threshold of \$6,500 per million gallons (mg) of water production. In addition, the life cycle ratio has been just 21% in each of the last five years, supported by high capital investment.

Financial Profile 'aa'

Low Leverage to Rise

Low leverage is expected to increase given additional planned borrowing and increased capital spending, and could approach 6.0x over the five-year horizon. This trajectory is likely to continue given continued significant capital spending and borrowing plans beyond that period. The district's liquidity profile is robust and considered neutral to the rating.

Asymmetric Additive Risk Considerations

No asymmetric additive risk considerations affect the rating determination.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Sustained leverage in Fitch's base and stress scenarios under 5.0x given stable revenue defensibility and operating risk assessments.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--Sustained increase in leverage approximating 7.0x or above in Fitch's base and stress scenarios given stable revenue defensibility and operating risk assessments.

--While not expected, sustained increase in operating cost burden such that cost per mg is greater than \$6,500 could lead to a downward revision of the operating risk assessment.

--Given SJWC revenues constitute a material source of district revenues, a deterioration in SJWC's credit quality could lead to a deterioration of the revenue defensibility assessment.

Best/Worst Case Rating Scenario

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

SECURITY

The water system revenue bonds and water revenue COPs are payable from a second lien on net water revenues. The senior lien is closed. The flood control system COPs are payable from a first lien on gross flood control system revenues, which include voter-approved benefit assessments.

Revenue Defensibility

Revenue defensibility is assessed at 'aa'. The district has independent legal ability to increase rates, can fully reallocate costs within its various business lines, and has demonstrated good rate discipline through consistent adjustments to support capital needs. All revenues are derived from the district's monopolistic business lines and revenues are relatively diverse. In fiscal 2020, approximately 50% of revenues were derived from water charges, 35% from property tax revenues, including the district's share of the 1% county-wide property tax, a special parcel tax, and benefit assessments, and 6% from capital contributions.

The district charges different rates for agricultural and non-agricultural groundwater in two different zones, the northern and southern areas. In addition, it charges treated water rates for contracted municipal and industrial water use with non-contract treated water available at the discretion of the district to reduce groundwater pumping to maintain local aquifer storage. Non-agricultural water rates for the northern portion have increased at a 10-year CAGR of 9.2%, while treated water charges increased at a CAGR of 8.4%.

For fiscal year 2021 and beyond, the district added two additional groundwater zones in the southern portion. The district held most rates flat for fiscal 2021 due to coronavirus economic impacts and implemented a 9.1% increase in fiscal 2022 for northern area municipal and industrial groundwater and 9.5% for contracted treated water. For fiscals 2023 to 2025, the district estimates annual northern area groundwater increases of 9.6%-10.1% and treated water increases of 7.9%-8.0%.

The district receives a share of the 1% county-wide property tax and levies voter approved taxes to fund capital and operating costs related to the SWP. Further, the district has a voter approved special parcel tax (Safe, Clean Water and Natural Flood Protection tax) to fund supply reliability and dam protection as well as flood management. The parcel tax was renewed in November 2020 and does not have an expiration.

Property taxes exhibit very little economic volatility and are not correlated with water revenues, helping to mute the impact of swings in water usage on the district's consolidated financial performance. Tax revenues also exhibited stability during the Great Recession with only a modest decline of 2.3% in fiscal 2011 assessed value. Further, the district participates in the County's Teeter Plan, under which the district receives the entire amount of taxes levied and the county retains any interest and penalties associated with collection of delinquencies. The district's assessed value has grown at a CAGR of 5.8% over the past decade (ending fiscal 2020).

The district has contracts with numerous water retailers through at least the life of all obligations for the construction of the district's water treatment and distribution facilities. The top 10 customers account for essentially 100% of water charges and 50% of total revenues. The largest customer, SJWC, an investor owned utility regulated by the California Public Utilities Commission, represents about 58% of water charges and a five-year average of 28% of total revenues over the same time period.

The district's PCQ, which is based on San Jose Water Company, is strong. San Jose Water Company serves over 1 million customers through approximately 231,000 connections over a 139 square mile area. Remaining customers are primarily municipalities and include the City of Santa Clara, City of San Jose, California Water Service, and City of Sunnyvale.

Operating Risks

The district's operating risk is low and assessed at 'aa'. The operating cost burden, measuring total costs relative to water production, has remained under \$4,500 the five years ended fiscal 2020. Water production has remained relatively stable averaging 200 million gallons per day the last four years. On a consolidated basis, major cost categories include watershed stewardship spending, funded by the county-wide 1% property tax, as well as imported water costs and administrative costs. The operating cost burden should remain below Fitch's \$6,500 per mg threshold for the 'aa' sub-assessment over at least the intermediate term.

The life cycle ratio is low at 21% in each of the last five years, supported by robust capital spending relative to depreciation averaging 463%. About two-thirds of the district-wide \$2.1 billion fiscal 2021-2025 CIP is water supply projects, with the remainder flood projection, mitigation, buildings and information technology. The CIP includes approximately \$1.1 billion in borrowing; most of which are water supply related. Of note, according to management

the district has not spent more than two-thirds of its total capital budget for the last three years. As such, future capital spending could come in lower than currently forecast.

The largest project is the Pacheco Reservoir expansion project that would increase storage capacity at the existing reservoir from 6,000 acre-feet (AF) to 140,000 AF. Pacheco Pass Water District currently owns the reservoir, whose capacity is limited by restrictions imposed by the Division of Safety of Dams (DSOD), and would turn it over to the district to construct a new dam. The project cost recently increased by \$1.2 billion to now total up to \$2.5 billion due to findings by geotechnical investigations, leading to more extensive work required than previously understood.

The district has been awarded a \$497 million state grant for the project and has included about \$390 million in spending for the expansion in the five-year CIP, with an additional \$300 million in fiscal 2026, and \$1.77 billion the following decade. The CIP assumes that up to 35% of the Pacheco Reservoir project will be funded by partners that are not yet determined. Further, the district is in the process of applying for a WIFIA loan totaling about \$1.2 billion for up to 49% of the project costs.

Additional large projects in the CIP include the Anderson Dam Seismic Retrofit Project, which is owned and operated by the district and has capacity constraints imposed by the DSOD. The dam project recently increased in cost by \$102.9 million to now total \$647.4 million due to the new Federal Energy Regulatory Commission projects now being included. Spending also ramps up in the CIP in fiscal 2025 for a \$618 million purified water project to produce up to 24,000 AF/year of purified water for potable reuse.

The district's operating costs also include its participation in the proposed Delta Conveyance project, which would include a tunnel under the Sacramento-San Joaquin Bay Delta intended to increase water reliability for SWP contractors. The estimated total cost of the project is \$15.9 billion, but the timeline and ultimate cost to the district are uncertain.

Lastly, additional potential longer-term projects include participation in the Sites Reservoir Project and Los Vaqueros Reservoir expansion projects. These reservoir projects, which are being developed by other agencies with uncertain timing and cost structures, would provide storage and additional water supply or improve conveyance infrastructure to benefit the district.

Financial Profile

The district's leverage is favorable and declined over the last five years to a low 1.7x in fiscal 2020 due to an increase in cash and adjusted FADS. The liquidity profile is also favorable but is neutral to the assessment, with fiscal 2020 coverage of full obligations at 3.2x and days cash on hand at 919 days; Fitch calculated total debt service coverage for the year was 4.5x.

Fitch Analytical Stress Test (FAST)

The FAST considers the potential trend of key ratios in a base case and stress case over a five-year period. The stress case is designed to impose capital costs 10% above expected base case levels and evaluate potential variability in projected key ratios.

The FAST base case was informed by the district's operating projections and reasonable assumptions made by Fitch. These include zero rate increases in fiscal 2021 due to coronavirus considerations as per the district. Fitch also included 9% annual operating revenue growth for fiscals 2022 through 2025 to account for the implemented fiscal 2022 rate increases of about 9.1% in groundwater charges and 9.5% for treated water for the northern zone as well as projected increases of 9.6%-10.1% for groundwater charges. The base case further includes a five-year average of water purchases, interest income, and capital contributions as well as a 2% annual escalator to property tax revenues.

For operating costs, Fitch applied the five-year CAGR of 7.9% for fiscal years 2021-2025. The forecast also includes the full amount of capital spending and borrowing as per the district's CIP, although as noted actual spending has historically come in lower. Based on these assumptions, the base case indicate leverage increasing from 2.5x in fiscal 2021 to 5.2x in fiscal 2025 while the stress case indicates an increase from 2.6x to 5.9x.

Asymmetric Additive Risk Considerations

No asymmetric additive risk considerations affect the rating determination.

Sources of Information

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

RATING ACTIONS					
ENTITY/DEBT	RATING				PRIOR
Santa Clara Valley Water District (CA) [Water, Sewer]					
● Santa Clara Valley Water District (CA) /Water & Sewer Revenues (2nd Lien)/1 LT	LT	AA+ Rating Outlook Stable	Affirmed		AA+ Rating Outlook Stable
VIEW ADDITIONAL RATING DETAILS					

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PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

U.S. Water and Sewer Rating Criteria (pub. 18 Mar 2021) (including rating assumption sensitivity)

U.S. Public Finance Tax-Supported Rating Criteria (pub. 04 May 2021) (including rating assumption sensitivity)

Public Sector, Revenue-Supported Entities Rating Criteria (pub. 01 Sep 2021) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Santa Clara Valley Water District (CA)

EU Endorsed, UK Endorsed

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US Public Finance Infrastructure and Project Finance North America United States



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

April 6, 2021

Mr. Melih Ozbilgin
Senior Water Resources Specialist
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118

Subject: Santa Clara Valley Water District Selection Notification

Dear Mr. Ozbilgin,

Thank you for submitting your Water Infrastructure Finance and Innovation Act (WIFIA) letter of interest for the FY 2020 Selection Round. We are very pleased to inform you that the Pacheco Reservoir Expansion Project has been moved off the waitlist and selected to submit an application for credit assistance for up to \$692,696,046 or not to exceed 49 percent of total eligible project costs.

We will soon be reaching out to you to schedule a pre-application meeting to discuss the WIFIA underwriting process in greater detail. Brian Jefferis will be the primary point of contact for this transaction and is available by e-mail at jefferis.brian@epa.gov or by phone at 202-566-2172 to answer any immediate questions you may have.

You can find the [new application form](#) the program has developed for 2020 and the [WIFIA Borrower Guide to Federal Requirements](#) on our website.

Once we receive your complete application, the WIFIA team will commence underwriting the transaction. Receipt of credit assistance remains subject to negotiation of an agreement on terms and conditions satisfactory to the Agency as well as the project's compliance with Federal requirements, including the National Environmental Protection Act (NEPA), American Iron and Steel requirements, Flood Plain Management Standards, and the Davis-Bacon Wage Act. More information about the underwriting and project approval process is attached to this letter.

We expect to receive your application by no later than January 8, 2022. If timing for your application and project construction has changed, please notify your underwriter as soon as possible.

We look forward to working with you on this project.

Sincerely,

A handwritten signature in dark ink, appearing to read "Joranne Jernberg", is positioned above the typed name.

Joranne Jernberg
Acting Director, WIFIA Program



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

October 26, 2021

Mr. Melih Ozbilgin
Senior Water Resources Specialist
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118

Subject: Santa Clara Valley Water District Selection Notification

Dear Mr. Ozbilgin,

Thank you for submitting your Water Infrastructure Finance and Innovation Act (WIFIA) letter of interest for the FY 2021 Selection Round. We have reviewed these materials and are very pleased to inform you that the Pacheco Reservoir Expansion Project has been selected to submit an application for a loan for up to \$575,394,883 or not to exceed 49 percent of total eligible project costs.

We will soon be reaching out to you to schedule an initial pre-application meeting to discuss the WIFIA underwriting process in greater detail. Brian Jefferis will be the primary point of contact for this transaction and is available by e-mail at jefferis.brian@epa.gov or by phone at 202-566-2172 to answer any immediate questions you may have.

In addition, the WIFIA program will be hosting a webinar for all selected prospective borrowers to provide an overview of the WIFIA application process and walk through the [application form](#) on December 7th at 2:00 pm EST. We encourage your participation and will send you a meeting invitation with more details soon. Please forward it to all members of your team, including contractors, who will have a role in the WIFIA application process.

Once we receive your complete application, the WIFIA team will commence underwriting your transaction. Receipt of a WIFIA loan remains subject to negotiation of an agreement on terms and conditions satisfactory to the Agency as well as the project's compliance with Federal requirements, including the National Environmental Protection Act (NEPA), American Iron and Steel requirements, Flood Plain Management Standards, and the Davis-Bacon Wage Act. Selected prospective borrowers may request to increase their loan amount during the application process. Loan increase requests will be reviewed on a case-by-case basis and are subject to the availability of funding.

Based on your submitted letter of interest, we expect to receive your application by April 15, 2022. If timing for your application and/or project construction has changed, please notify your underwriter as soon as possible.

EPA is planning its announcement of the FY 2021 selections and will coordinate with your organization on this press release. Until then, the announcement of the selection of your project for a WIFIA loan is embargoed. Please do not share this information externally. If you have questions regarding communicating your selection or would like to coordinate your announcement with EPA, please contact Karen Fligger at fligger.karen@epa.gov or 202-564-2992.

We look forward to working with you on this project.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jorianne Jernberg". The signature is fluid and cursive, with the first name being more prominent.

Jorianne Jernberg
Director, WIFIA Program

**BOARD OF DIRECTORS
SANTA CLARA VALLEY WATER DISTRICT**

RESOLUTION NO. 21- 19

APPROVING FISCAL YEARS 2022-2026 FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM

WHEREAS, the Santa Clara Valley Water District (Valley Water) has determined that it is in its best interest to prepare a Five-Year Capital Improvement Program (CIP) and to have it reviewed by the County and cities having land use jurisdiction within Santa Clara County; and

WHEREAS, the Board of Directors of Valley Water was presented with a Draft Fiscal Years (FY) 2022-2026 Five-Year CIP on February 23, 2021; and

WHEREAS, the Draft CIP was transmitted to the Town of Los Gatos and all cities within Valley Water's jurisdiction, the County of Santa Clara, the San Jose Water Company, and the Mid-Peninsula Open Space District for their review on March 3, 2021, and Valley Water staff conducted subsequent meetings with public works staff at the cities of Santa Clara, San Jose, Mountain View, and Palo Alto regarding the Draft CIP; and

WHEREAS, on April 13, April 27-28, and May 11, 2021, Valley Water conducted a public hearing for purposes of receiving input with regard to the Draft FY 2022-26 Five-Year CIP; and

WHEREAS, on May 11 the Board of Directors of Valley Water directed staff to include appropriate changes to finalize the FY 2022-26 Five-Year CIP by June 30, 2021.

NOW, THEREFORE BE IT RESOLVED that the Board of Directors of the Santa Clara Valley Water District does hereby approve the FY 2022-26 Five-Year Capital Improvement Program.

PASSED AND ADOPTED by the Board of Directors of the Santa Clara Valley Water District by the following vote on May 11, 2021:

AYES:	Directors	Hsueh, Santos, Keegan, Kremen, LeZotte, Varela, Estremera
NOES:	Directors	None
ABSENT:	Directors	None
ABSTAIN:	Directors	None

SANTA CLARA VALLEY WATER DISTRICT


TONY ESTREMER
Chair, Board of Directors

ATTEST: MICHELE L. KING, CMC


Clerk, Board of Directors

Project	Pacheco Reservoir Expansion Project
Program	Water Supply – Storage
Project No.	91954002
Contact	Christopher Hakes chakes@valleywater.org



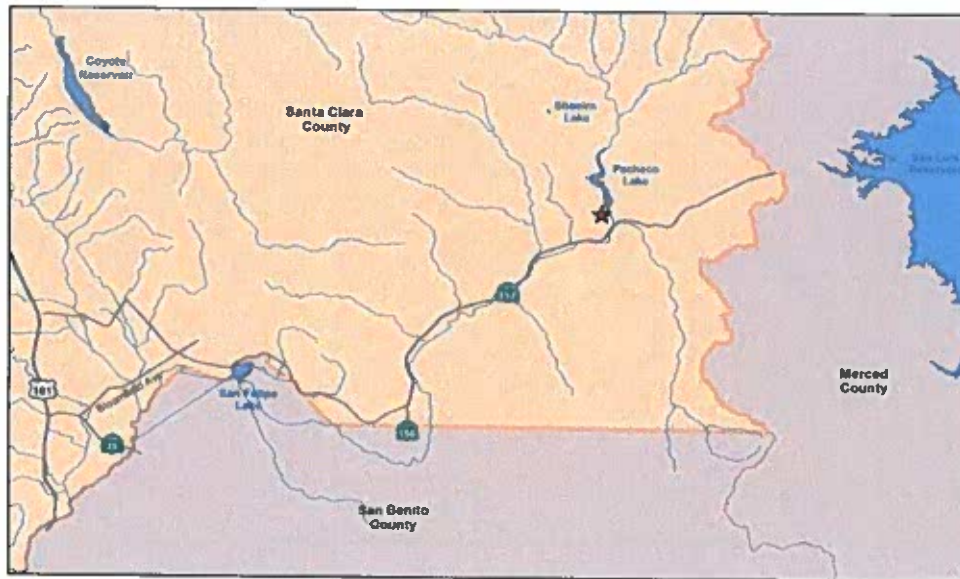
Aerial view of Pacheco Reservoir

PROJECT DESCRIPTION

This project will include expanding the storage capacity of the existing Pacheco Reservoir to 140,000 acre-feet through construction and operation of a new dam, conveyance facilities, and related appurtenant structures. The project objectives include:

- ♦ Increase suitable habitat in Pacheco Creek for federally threatened steelhead.
- ♦ Increase water supply reliability to help meet municipal and industrial water demands in Santa Clara County during drought periods and emergencies, or to address shortages due to regulatory and environmental restrictions.
- ♦ Develop water supplies for environmental water management that support habitat management and other environmental water needs.

PROJECT LOCATION



★ Project Location

SCHEDULE & STATUS

October 2018 to June 2028

Phase	Cost	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31
Plan	49,503											
Design	87,501											
Construct	2,033,138											
Closeout	360											
	2,203,320											

EXPENDITURE SCHEDULE

(in thousands \$)

	Actuals Thru	Planned Expenditures							Total
Project	FY20	FY21	FY22	FY23	FY24	FY25	FY26	Future	
91954002-Pacheco Reservoir Expansion Project	52,370	27,779	29,717	41,302	42,612	207,294	267,957	1,534,289	2,203,320
with inflation	52,370	27,779	31,054	45,103	48,627	235,788	304,583	1,774,318	2,519,623

Actuals include project expenditures, and encumbrances.

FUNDING SCHEDULE

(in thousands \$)

	Budget Thru	Adj. Budget	Est. Unspent	Planned Funding Requests					Total
Project	FY20	FY21		FY22	FY23	FY24	FY25	FY26	Future
91954002-Pacheco Reservoir Expansion Project	52,366	27,919	136	30,918	45,103	48,627	235,788	304,583	1,774,318
									2,519,623

Adjusted Budget includes adopted budget plus approved budget adjustments.

FUNDING SOURCES

(in thousands \$)

SCVWD Water Utility Enterprise Fund	1,378,058
California Water Commission	484,550
SCVWD Safe Clean Water Fund - Measure S	10,000
Partnership Contributions	407,015
Other Funding Sources "Unsecured" (WIIN and WIFIA)	250,000
Total	2,529,623

OPERATING COST IMPACTS

Operating cost impacts are anticipated and will be determined during the design phase.

USEFUL LIFE: TBD

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